

## Message Text

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PAGE 01 QUITO 05052 282115Z  
ACTION ARA-14

INFO OCT-01 ISO-00 EB-08 /023 W  
-----122531 290432Z /13

R 281715Z JUL 77  
FM AMEMBASSY QUITO  
TO USDOC WASHDC  
SECSTATE WASHDC 5219  
INFO AMCONSUL GUAYAQUIL

UNCLAS QUITO 5052

E.O. 11652: N/A  
TAGS: BEXP, BENC, EC  
SUBJECT: MAJOR PROJECT UPDATE - CEMENTOS COTOPAXI

REF: STATE 139130

1. ON JULY 22 A CONTRACT WAS SIGNED BETWEEN CEMENTOS COTOPAXI AND CRESCENT ENGINEERING TO PREPARE A DEFINITIVE FEASIBILITY STUDY FOR A CEMENT PLANT. A "PRE-ASSOCIATION" AGREEMENT WAS ALSO SIGNED BY CEMENTOS COTOPAXI AND THE BUTTES GAS AND OIL COMPANY, THE PARENT COMPANY OF CRESCENT ENGINEERING, TO BUILD THE PLANT ONCE THE STUDY IS COMPLETED TO THE SATISFACTION OF THE ECUADOREAN FIRM. THE CONTRACT-SIGNING WAS THE CULIMNATION OF THREE YEARS OF EFFORT ON THE PART OF CRESCENT ENGINEERING TO WIN THE \$60 MILLION PROJECT.

2. THE PATH WAS FAR FROM SMOOTH. CRESCENT ENGINEERING, AND BUTTES GAS AND OIL FOR THAT MATTER, WERE UNKNOWN ENTITIES TO CEMENTOS COTOPAXI, AND WERE SUSPECTED OF BEING INCAPABLE OF CARRYING OUT THE PROJECT. ONCE CEMENTOS COTOPAXI WAS CONVINCED THAT THE CRESCENT PROPOSAL WAS SERIOUS, HOWEVER, IT WAS EVALUATED ON ITS MERITS AND ADJUDGED TO BE THE BEST OF ALL THOSE RECEIVED. BUT AFTER THE CEMENTOS COTOPAXI BOARD OF DIRECTORS

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DECLINED IN THEIR FAVOR, CRESCENT WAS FACED WITH A LAST-MINUTE CHALLENGE FROM A COMPETING SAPNSIH-ARGENTINE CONSORTIUM, A CHALLENGE THAT WAS MADE AT THE HIGHEST LEVEL OF THE ECUADOREAN GOVERNMENT.

3. THIS WAS ONE OF THOSE GRATIFYING CASES IN WHICH THE EMBASSY, IN CONJUNCTION WITH USDOC (IN PARTICULAR

THE MAJOR PROJECTS DIVISION), WAS ABLE TO PLAY A KEY ROLE IN HELPING THE U.S. FIRM WIN A MAJOR CONTRACT. THE COMATT WAS IN FREQUENT PERSONAL CONTACT WITH CEMENTOS COTOPAXI, FIRST TO CABLE DETAILS OF THE PROJECT TO USDOC ONCE IT TOOK SHAPE, THEN TO HELP RESOLVE DOUBTS IN THE MIND OF THE ECUADOREAN FIRM AS TO THE BONA FIDES OF THE CRESCENT OFFER. THE COMATT REQUESTED BACKGROUND REPORTS ON CRESCENT AND BUTTES FROM USDOC, WHICH WERE SUPPLIED BY THE DENVER AND SAN FRANCISCO DISTRICT OFFICES OF USDOC. THESE REPORTS WERE THEN DELIVERED TO CEMENTOS COTOPAXI PERSONALLY BY THE COMATT. WE BELIEVE THAT THESE REPORTS, RELAYED IN THIS WAY, HAD AN IMPORTANT EFFECT IN REASSURING THE ECUADOREAN FIRM THAT THE TWO U.S. FIRMS HAD BOTH THE TECHNICAL AND FINANCIAL RESOURCES TO CARRY OUT THE PROJECT.

4. LATER, WHEN THE AWARD TO CRESCENT WAS CHALLENGED BY THE COMPETING FIRM, THE COMATT VISITED THE INSPECTOR GENERAL OF THE NATION, WHO HAD BEEN GIVEN THE RESPONSIBILITY OF INVESTIGATING THE CHARGES LEVELLED BY THE CONSORTIUM AGAINST CRESCENT ENGINEERING. THE PROBLEM WAS TO WALK THE NARROW LINE BETWEEN SHOWING OUR INTEREST IN FAIR TREATMENT FOR THE U.S. FIRMS AND NOT SEEMING TO BE EXERTING UNDUE PRESSURE FROM THE U.S. EMBASSY, WHICH WOULD HAVE PLAYED INTO THE HANDS OF THE COMPETING FIRM. UNCLASSIFIED

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5. CRESCENT AND BUTTES WERE EVENTUALLY CLEARED BY THE INSPECTOR GENERAL'S INVESTIGATION, BUT THE MATTER WAS THEN REFERRED TO THE ATTORNEY GENERAL, WHO WAS ALSO ASKED TO EXAMINE IT. THE COMATT HELPED TO DISSUADE THE U.S. FIRMS, WHO BY THIS TIME WERE AT THE END OF THEIR TETHER, FROM MOUNTING A PRESS CAMPAIGN, A STEP THAT WOULD ALMOST CERTAINLY HAVE BEEN COUNTER-PRODUCTIVE, AS IT MAY WELL HAVE IMPLIED THAT THEY WERE BEING TREATED UNFAIRLY BY THE ECUADOREAN GOVERNMENT. PATIENCE AND RESTRAINT WERE REWARDED, AS CRESCENT AND BUTTES WERE CLEARED ALSO BY THE ATTORNEY GENERAL'S INVESTIGATION, PAVING THE WAY FOR THE SIGNING OF THE CONTRACTS MENTIONED ABOVE. CORR

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## Message Attributes

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**Review Markings:**  
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